GRAFTON GROUP LIMITED

ANNUAL REPORT FOR YEAR ENDED JANUARY 31, 1973

Established 1853

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ANNUAL MEETING

The Annual Meeting of Shareholders' will be held at 10:00 a.m., May 24th, 1973 in Toronto in the Auditorium at 9 Sunlight Park Road.

Financial Highlights

	Year ended January 31 1973	1972	% Change
Sales			
Retail Division			
Grafton and Jack Fraser Stores	$15,469,717	$13,518,246	+14.4
Ross Stores (1 of 3 closed)	816,637	1,186,291	−31.2
Licensed Woolco Departments	38,128,457	29,575,681	+28.9
	54,414,811	44,280,397	+22.9
Manufacturing Division	5,184,605	4,601,722	+12.7
	59,599,416	48,882,119	+21.9
Income before depreciation and interest	6,716,949	5,122,528	+31.1
Depreciation and interest	423,232	399,993	+5.8
Net income	3,207,953	2,242,938	+43.0
Percentage of net income to sales	5.38	4.59	
Dividends paid per share	$.325	$ .20	
Earnings per common share based on weighted average of 1,874,700 shares in 1973 and 1,853,-667 shares in 1972	$1.71	$1.21	
Shareholders' equity	14,660,998	11,930,179	+22.9
Earnings as a percentage of shareholders' equity	26.9	28.3	
Working capital	7,306,583	5,713,018	+27.9
Current ratio	2.1 :1	2.1 :1	

Board of Directors

*G. RICHARD CHATER, *Chairman and Chief Executive Officer, Grafton-Fraser Limited*	Campbellville
BRIG.-GEN. W. PRESTON GILBRIDE, C.B.E., D.S.O., E.D., LL.D., *Chairman, the Company*	Toronto
WILLIAM A. HEASLIP, *President, Grafton Realty Company, Limited*	Milton
WILLIAM F. JAMES, *Partner, James & Buffam*	Toronto
*JAMES W. McCUTCHEON, *Partner, Shibley, Righton & McCutcheon*	Toronto
STEWART PHILP, *Retired President of a Subsidiary*	Dundas
*JOHN B. RIDLEY, *Retired Investment Dealer*	Toronto
SAM FOSTER ROSS, Q.C., *Partner, Ross & Robinson*	Dundas
*GEORGE A. REYNOLDS, *Secretary and Treasurer, Grafton-Fraser Limited*	Thornhill
T. EDWARD TOPPING, *President, Grafton-Fraser Limited*	Stouffville
*DAVID B. WELDON, *Chairman of the Board, Midland-Osler Securities Limited*	Toronto
DOUGLAS C. WOOLLEY, Q.C., *Partner, Woolley, Hames, Dale & Dingwall*	Toronto
THOMAS R. YOUNG, *President, Toby Industries Limited*	Toronto

**Audit Committee*

Transfer Agents and Registrar

GUARANTY TRUST COMPANY OF CANADA

Head Office

9 SUNLIGHT PARK ROAD, TORONTO

Auditors

THORNE GUNN & CO.

Stock Exchange Listings

TORONTO STOCK EXCHANGE

MONTREAL STOCK EXCHANGE

Officers and Executives

GRAFTON GROUP LIMITED

W. P. GILBRIDE, *Chairman*

G. R. CHATER, *President*

W. A. HEASLIP, *Executive Vice President*

G. A. REYNOLDS, *Vice President Finance, Secretary and Treasurer*

GRAFTON-FRASER LIMITED

G. R. CHATER, *Chairman and Chief Executive Officer*

T. E. TOPPING, *President*

J. B. COUTTS, *Vice President*

A. L. LUCAS, *Vice President*

G. A. REYNOLDS, *Secretary and Treasurer*

R. D. McLAREN, *Controller*

E. FREDERICK, *Sales Manager*

W. J. SMITH, *Manager of Information Services*

H. SANDERS, *Advertising and Public Relations*

V. H. DEAN, *Personnel*

BUYERS	SUPERVISORS
E. DYMOCK	P. BICKERTON
R. EAGLESON	T. FREEMAN
D. HASSON	F. GRASBY
R. HUTCHINSON	L. GREGGA
B. REYNOLDS	A. HOWLETT
J. WALKER	H. MACKLIN
I. WHITE	D. ROSSEN

TOBY INDUSTRIES LIMITED

T. R. YOUNG, *President*

A. M. PEARSON, *General Manager*

W. TISCH, *Sales Manager*

G. McDONALD, *Administrator*

L. NAGY, *Purchasing Agent*

GRAFTON REALTY COMPANY, LIMITED

W. A. HEASLIP, *President*

MRS. JEAN A. LAWSON, *Assistant Secretary*

Directors' Report to the Shareholders

The results for the year under review were in most respects highly satisfactory, with earnings increasing from $1.21 to $1.71 per share. Our retail division, representing 90% of our activities, benefited from the buoyant economy and ended the year with an extremely strong Christmas season, and consequently a very strong fourth quarter. Our manufacturing division, however, ran into significant problems.

The senior retail management changes announced in our last annual report were in effect for a full year. The results achieved are a reflection of the maturity and experience that these executives brought to their new roles. Our move to new premises, which are much more functional and flexible in terms of future requirements, was accomplished smoothly in spite of minor difficulties, such as those related to the turnover of clerical personnel. While one new Talisman and six Jack Fraser stores were opened, four Jack Fraser stores were closed. Nine new Woolco stores were opened, four in late November. Most of our sales increase came from stores opened in prior years.

Our manufacturing division, Toby Industries, suffered from rapidly rising costs of raw materials, new increased fixed costs of expanded facilities and production equipment, rising labour costs, production disruptions due to relocation and a longer than expected break-in period in the new plant. Management is working hard to resolve the remaining problems, but while demand for Toby's products is strong, the recent devaluations of the dollar and its effect on the costs of imported raw materials will likely preclude an immediate solid profit turn around.

Our retail division is expected to perform well in 1973 because of a high level of consumer spending. Inventory positions are higher than the ideal due to uncertainties of supply and substantial increases in costs of apparel fabrics. Orderly availability of merchandise has always been a problem in the past, but this aspect will assume greater proportions this year. Recent and prospective currency devaluations will raise prices of imported products, and our domestic suppliers are faced with significant increased costs of piece goods and difficulties of supply. We are not optimistic that they can react quickly to increased production demands and commitments to increased capital investment.

We plan to open a number of warehouse type outlets during 1973 which will act as disposal units for slow moving merchandise in our chain, and which will help the selection in our stores to be current at all times. In addition, we plan to open at least eight Jack Fraser Stores, and to participate in ten new Woolco stores. We are expecting increased sales penetration by existing stores, and should be assured of a substantial sales increase.

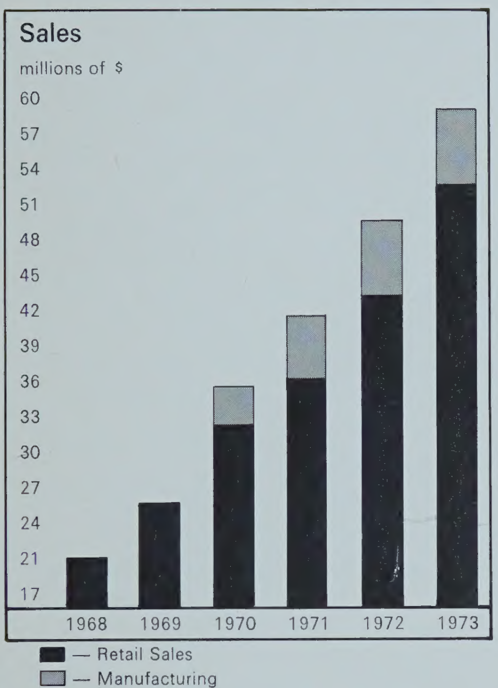
Over the past six years we have a record of 24 consecutive quarters of significant earnings improvement. This has been accomplished through various economic climates, recession as well as prosperity, and during periods of radical style gyrations in both men's wear and ladies' sportswear. Our administrative organization has proven to be adaptable and innovative. Our plans to open 15-20 stores per year over the next five years will enable us to achieve our objectives of an increased market share and a 20% increase in sales per year in our retail division over the intermediate term.

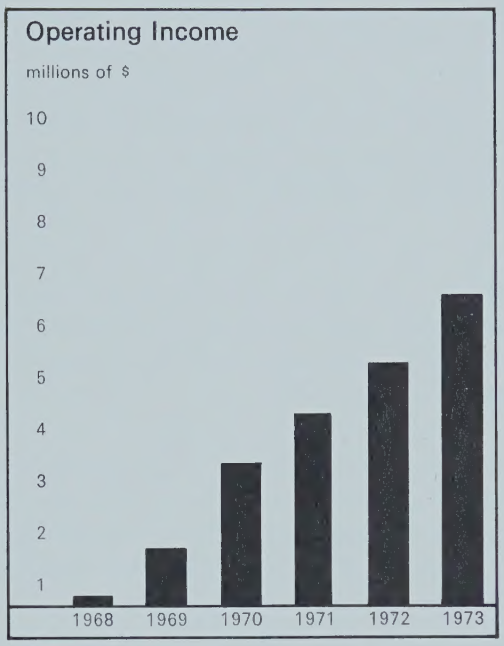
We gratefully acknowledge the contribution and cooperation of management, staff, suppliers, developers and associates for the results of our activities.

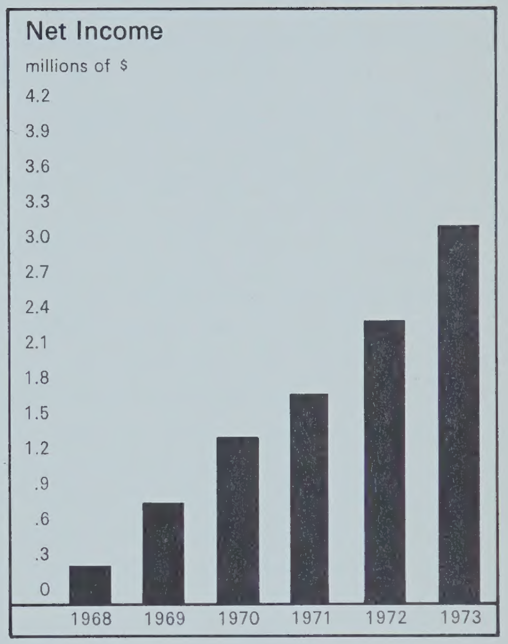
Submitted on behalf of the Board,
G. R. CHATER
President

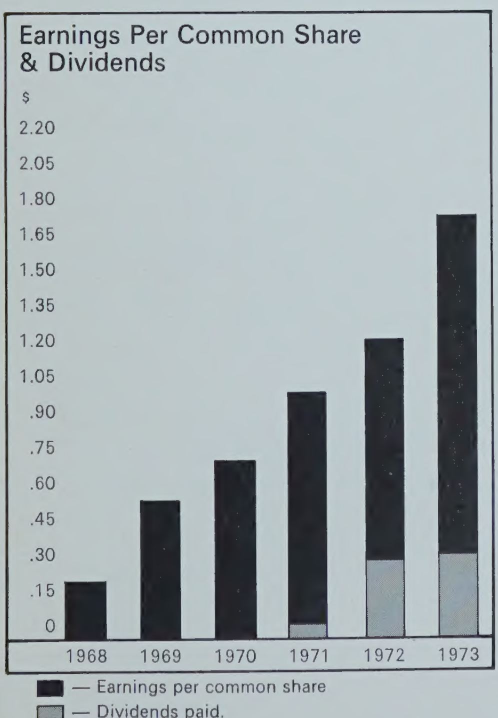
Toronto, Ontario, April 13, 1973

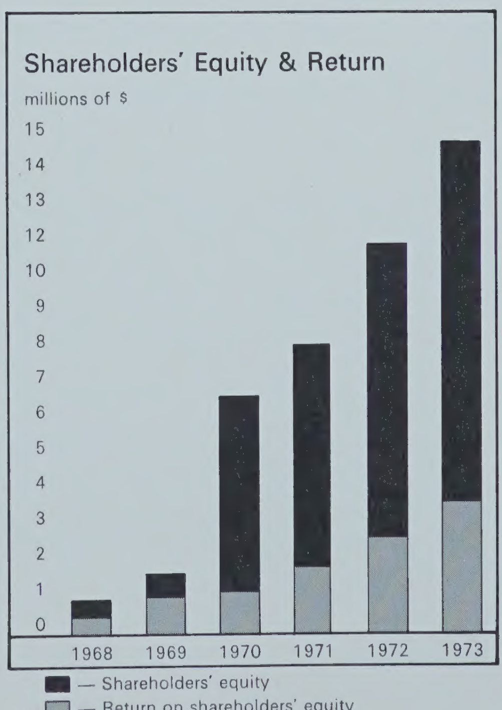
Information Graphs

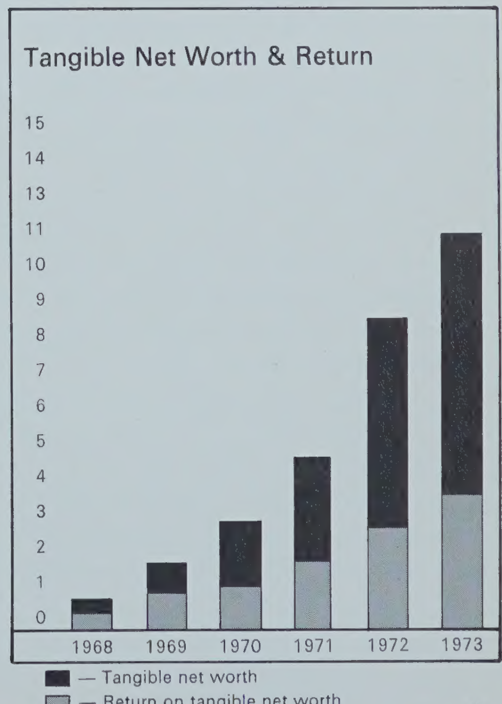












Financial and Operating Review

The Company achieved record sales and earnings levels during the year. While we, as well as almost all major retailers, benefited from significantly higher levels of consumer spending, adherence to sound cost controls enabled the earnings to rise at a higher rate than sales.

Sales

Total sales of our retail and manufacturing divisions were $59.6 million, an increase of $10.7 million or 21.9%. The sales of Grafton-Fraser Limited, the retail component, increased to $54.4 million from $44.3 million or 22.9%, while the sales of Toby Industries Limited, the manufacturing component, were $5.2 million, an increase of 12.6% from $4.6 million.

Earnings

Consolidated net earnings were $3,208,000, an increase of 43.0% from the preceding year. Grafton-Fraser Limited earnings accounted for all the increase as the earnings of Toby Industries Limited declined from those of the previous year. Earnings per share rose to $1.71 from $1.21. Commencing with the December 15th dividend, quarterly dividends were increased to 10¢ from 7½¢.

Operations — Grafton-Fraser Limited

During the year 9 leased departments were opened, 4 in Ontario, 3 in Quebec and 1 in each of Saskatchewan and Alberta, bringing the total number of such departments to 56. Six Jack Fraser Stores and 1 Talisman store were opened, 5 in Ontario and one each in Alberta and British Columbia. Four small Jack Fraser Stores in Ontario were closed. The total number of Jack Fraser, Grafton, Talisman and Ross Stores is now 54.

Operating ratios in both the leased departments and company stores improved as a result of effective cost controls and an improved shrinkage experience. As well, the head office and administrative costs, as a percentage of sales, continued to decline, notwithstanding our move into more modern and adequate premises.

Toby Industries Limited

While sales increased at a satisfactory rate, there was a decline in net income. The difficulties encountered during and resulting from the move of the manufacturing facilities at mid-year were of greater significance than anticipated, and together with substantial increases in the costs of imported raw material, labour and occupancy, resulted in unsatisfactory earnings.

Grafton Realty Company Limited

This wholly owned non-consolidated subsidiary completed on May 1, 1972 the purchase of the property on Sunlight Park Road, Toronto at a cost of $2,625,000, as compared with an appraised depreciated replacement value of $6,400,000 exclusive of land. The purchase was financed by a 10 year term bank loan, an advance from Grafton Group and internal cash. Income for the year amounted to $24,500, or approximately 1¢ per Grafton Group share. It is anticipated that the cash flow from the company's operation will be sufficient to retire the term bank loan on schedule.

James B. McGregor International Limited

The company is affiliated with Grafton Group Limited because part of the $756,891 note held by Grafton Group is convertible into 53% of the shares of the company after May, 1974. Substantial gains in sales and earnings were achieved in the plastics division. The drapery division earnings were adversely affected by a major move of its production facilities and other marketing factors. The acquisition announced last year has been sold for an amount in excess of its cost to improve working capital.

Financial Position

Our year end inventory to sales ratio deteriorated slightly this year because of the opening of four stores in the month of November.

The company's balance sheet and working capital position remain strong, and we can look forward to a vigorous expansion program over the next five years which can be financed from internal resources.

Consolidated Statements of Income and Retained Earnings

GRAFTON GROUP LIMITED
and consolidated subsidiary companies

	Year Ended January 31 1973	1972
INCOME		
Sales		
Retail	$54,414,811	$44,280,397
Manufacturing	5,184,605	4,601,722
	59,599,416	48,882,119
Cost of sales and expenses other than undernoted	52,882,467	43,759,591
Income from operations before taking into account the undernoted items	6,716,949	5,122,528
Interest and bank charges	87,236	140,265
Depreciation	335,996	259,728
	423,232	399,993
Income before income taxes and minority shareholders' interest	6,293,717	4,722,535
Income taxes	3,043,700	2,428,600
Income before minority shareholders' interest	3,250,017	2,293,935
Preference share dividends paid to minority shareholders of subsidiary companies	42,064	50,997
Net income for the year	$ 3,207,953	$ 2,242,938
Earnings per share	$1.71	$1.21
RETAINED EARNINGS		
Balance at beginning of year	$ 5,097,036	$ 3,250,747
Net income for the year	3,207,953	2,242,938
	8,304,989	5,493,685
Deduct		
Dividends on common shares	609,166	374,521
Common share issue expenses net of income tax reduction of $23,000		22,128
	609,166	396,649
Balance at end of year	$ 7,695,823	$ 5,097,036

Consolidated Balance Sheet

GRAFTON GROUP LIMITED
(Incorporated under the laws of Ontario)
and consolidated subsidiary companies

	January 31 1973	1972
ASSETS		
CURRENT ASSETS		
Cash and bank deposit receipts	$ 2,391,497	$ 2,074,678
Accounts receivable	2,672,517	2,174,395
Marketable securities at cost (market value 1973, $535,000; 1972, $213,170)	350,395	212,513
Inventories (note 2)	8,600,551	6,518,808
Deposits and prepaid expenses	277,623	96,013
	14,292,583	11,076,407
OTHER RECEIVABLES (note 3)	1,248,629	756,891
INVESTMENT IN SHARES OF SUBSIDIARY COMPANY, at cost (note 1)	1,107,500	1,107,500
FIXED ASSETS, at cost		
Machinery, equipment, fixtures and leasehold improvements	4,512,142	3,733,868
Less accumulated depreciation	2,410,748	2,161,970
	2,101,394	1,571,898
EXCESS OF COST OVER UNDERLYING BOOK VALUES OF CONSOLIDATED SUBSIDIARIES AT DATES OF ACQUISITION	3,609,572	3,609,572
	$22,359,678	$18,122,268

Approved by the Board

JOHN B. RIDLEY, *Director*

G. R. CHATER, *Director*

	January 31 1973	January 31 1972
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 6,000,039	[illegible]
Income and other taxes payable	985,961	645,633
Notes payable		[illegible]
	6,986,000	5,363,389
DEFERRED INCOME TAXES	51,100	40,600
PREFERENCE SHARES HELD BY MINORITY SHAREHOLDERS in subsidiary companies (note 4)	661,580	788,100
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 5)		
Authorized		
1,735 Non-voting 6% non-cumulative, preference shares, redeemable at par value of $10 each		
3,500,000 Common shares without par value		
Issued		
1,878,335 Common shares (1972, 1,872,603 shares)	6,789,819	6,666,008
CONTRIBUTED SURPLUS (note 6)	175,356	167,135
RETAINED EARNINGS	7,695,823	5,097,036
	14,660,998	11,930,179
	$22,359,678	$18,122,268

Contingent liability (note 7)
Long-term leases (note 8)

Consolidated Statement of Source and Application of Funds

GRAFTON GROUP LIMITED
and consolidated subsidiary companies

	Year Ended January 31 1973	1972
Source of funds		
Operations		
Net income for the year	$ 3,207,953	$ 2,242,938
Items not involving current funds		
Depreciation	335,996	259,728
Deferred income taxes	10,500	3,900
	3,554,449	2,506,566
Sale of fixed assets	13,018	10,892
Proceeds from issue of common shares	123,811	2,624,125
Payment on notes receivable		40,000
	3,691,278	5,181,583
Application of funds		
Additions to fixed assets	878,510	583,666
Increase in other receivables	491,738	
Dividends on common shares	609,166	374,521
Decrease in interest of minority shareholders less gain on purchase for cancellation of preference shares of a subsidiary of $8,221 (1972, $17,972)	118,299	100,821
Investment in wholly owned subsidiary		1,107,500
Payment and reclassification of notes payable		190,000
Redemption of preference shares of the company		482,650
Common share issue expenses, net		22,128
	2,097,713	2,861,286
Increase in working capital	1,593,565	[illegible]
Working capital at beginning of year	5,713,018	3,392,721
Working capital at end of year	$ 7,306,583	$ 5,713,018

YEAR ENDED JANUARY 31, 1973

1. BASIS OF CONSOLIDATION AND ACCOUNTING PRESENTATION

The consolidated financial statements include on a comparative basis the accounts of the subsidiary, Grafton-Fraser Limited and its subsidiary for the fiscal years ended January 3, 1973 and January 5, 1972 and the accounts of the subsidiary, Toby Industries Limited for the years ended December 31, 1972 and 1971. The accounts of Grafton Realty Company, Limited a wholly owned subsidiary acquired effective August 4, 1971 have not been consolidated herein. It is considered inappropriate at this time to consolidate Grafton Realty because of the nature of its activities — a separate company investing in real estate.

The company's share of Grafton Realty's net income, all of which is undistributed, for the year ended December 31, 1972 and from acquisition to December 31, 1971, was $24,500 and $16,150 (equal to 1¢ per Grafton Group share in each year).

In 1972 Grafton Realty acquired land and buildings at a total cost of $2,625,000 and issued a debenture for $1,950,000, of which $1,866,000 was outstanding at December 31, 1972.

2. INVENTORIES

	1973	1972
Retail	$ 7,545,101	$ 5,590,282
Manufacturing		
Raw materials	487,980	414,821
Work in process	132,251	164,573
Finished goods	435,219	349,132
	1,055,450	928,526
	$ 8,600,551	$ 6,518,808

The retail inventory is valued at the lower of cost and net realizable value less normal profit margin. Raw materials are valued at the lower of cost and replacement cost. Work in process and finished goods are valued at the lower of cost and net realizable value.

3. OTHER RECEIVABLES

	1973	1972
Note receivable from affiliated company, secured	$ 756,891	$ 756,891
Advance to affiliated company, secured	146,738	
Advance to subsidiary, Grafton Realty Company, Limited	345,000	
	$ 1,248,629	$ 756,891

3. OTHER RECEIVABLES (Cont'd)

The note receivable from affiliated company is secured and non-interest bearing. It is payable $100,000 annually from May 1, 1974 to May 1, 1978 with the balance payable on May 1, 1979. A portion of the note, $56,100 is convertible into common shares representing approximately 53% of the voting shares of the affiliated company any time after May 1, 1974 and prior to repayment on May 1, 1979.

4. PREFERENCE SHARES HELD BY MINORITY SHAREHOLDERS IN SUBSIDIARY COMPANIES

Grafton-Fraser Limited shall in each fiscal year apply to the retirement of preference shares by purchase for cancellation or by redemption an amount equal to at least 5% of its consolidated net income for the immediately preceding fiscal year. During 1972 Grafton-Fraser Limited purchased 6,326 preference shares at a cost of $118,299 in accordance with this provision.

5. CAPITAL STOCK

	1973	1972
Common shares		
Issued		
Issued during the year under the Employee Stock Option Plan, 5,732 shares at $21.60	$ 123,811	
Issued during the year as part of a public offering, 261,107 shares		$ 2,624,125
Employees Stock Option Plan		
Reserved for allotment	51,850	95,000
Options exercised	5,732	
Options outstanding, exercisable at $21.60 per share up to February 11, 1977	37,418	

6. CONTRIBUTED SURPLUS

During the year ended January 31, 1973, contributed surplus was increased by $8,221 (1972, $17,972), arising from a gain on purchase for cancellation of preference shares of Grafton-Fraser Limited (note 4).

7. CONTINGENT LIABILITY

The company has guaranteed indebtedness of an affiliated company in the amount of $65,000 (1972, $130,000).

8. LONG-TERM LEASES

The aggregate amount of rentals incurred by the company's subsidiaries as an expense during their most recent fiscal periods in respect of all leases on real property (including licenses) was $5,168,000 (of which approximately $225,000 was paid to Grafton Realty Company, Limited).

8 LONG-TERM LEASES (Cont'd)

Based upon all leases (including licenses) in existence as at their fiscal period ends, the aggregate minimum annual amount that will be incurred by the company's subsidiaries as rental or license expense during their next five fiscal years is approximately $3,308,000 (of which $308,000 will be paid to Grafton Realty Company, Limited).

9. OTHER STATUTORY INFORMATION

Remuneration of directors and senior officers (as defined by The Business Corporations Act) was $285,000 (1972, $281,000).

Auditors' Report

To the Shareholders of
Grafton Group Limited

We have examined the consolidated balance sheet of Grafton Group Limited and consolidated subsidiary companies as at January 31, 1973 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at January 31, 1973 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne Gunn & Co.

Chartered Accountants

Toronto, Canada
February 19, 1973

Historical Summary

	January 31					
	1973	1972	1971	1970	1969	1968
	Omitting 000's					
Sales						
Retail	$54,415	$44,280	$37,895	$32,038	$25,219	$21,461
Manufacturing	5,184	4,602	4,109	4,115		
	59,599	48,882	42,004	36,153	25,219	21,461
Cost of sales and expenses other than undernoted	52,882	43,760	37,749	32,950	23,399	20,602
Income from operations before the undernoted items	6,717	5,122	4,255	3,203	1,820	859
Percent to sales	11.3	10.5	10.1	8.9	7.2	4.0
Interest and bank charges	87	140	356	360	255	263
Depreciation	336	260	196	161	100	109
	423	400	552	521	355	372
Income before income taxes, extraordinary item and minority interests	6,294	4,722	3,703	2,682	1,465	487
Income taxes	3,044	2,428	2,009	1,461	789	253
	3,250	2,294	1,694	1,221	676	234
Gain on sale of investments				27		
	3,250	2,294	1,694	1,248	676	234
Minority interests						
Preference share dividends	42	51	56	54	54	47
Common shares since acquired by Grafton Group Limited				164		
	42	51	56	218	54	47
Net income	$ 3,208	$ 2,243	$ 1,638	$ 1,030	$ 626	$ 187
Earnings per common share	$ 1.71	$ 1.21	$ 1.01	$ .69	$ .58	$ .18
Dividends per common share	$ .325	$ .20	$ .05			
Weighted average number of shares outstanding	1,874,700	1,853,667	1,611,496	1,611,496	1,096,750	1,096,750

Retail Statistics

	1973	1972	1971	1970	1969	1968
NUMBER OF BRANCHES						
Leased Woolco Departments	56	47	41	33	27	22
Company Stores						
Men's and Boys' Wear	27	29	25	23	25	25
Men's, Boys' and Loft Departments	25	19	17	14	10	9
Ross Stores	2	3	4	4	4	6
Total	110	98	87	74	66	62
Branches Opened	16	13	14	10	6	5
Branches Closed	4	2	1	2	2	1
Store Space at End of Year, Omitting 000's	718	633	579	488	424	377
Sales Per Square Foot Based on Year End Footage	$75.8	$69.9	$65.4	$65.6	$59.5	$56.9

Company Stores

Jack Fraser

British Columbia

*Burnaby, Lougheed Mall
*Kamloops, Thompson Park
*Kelowna, Orchard Park Centre
*Surrey, Surrey Place
*Vancouver, Park Royal
*Victoria, Hillside Centre

Alberta

*Calgary, Market Mall
*Edmonton, Londonderry Mall

Manitoba

*Winnipeg, Garden City, W. Kildonan

Ontario

*Barrie, Bayfield Mall
Belleville
*Belleville, Quinte Mall
*Brampton, Shoppers' World
*Brantford, Brantford Mall
*Chatham, Thames-Lea Centre
*Etobicoke, Sherway Gardens
*Hamilton, Greater Hamilton Centre
*Kapuskasing, Model City Mall
*Kitchener, Fairview Park Centre
*Metro Toronto, Agincourt Mall
*Metro Toronto, Albion Mall
*Metro Toronto, Eglinton Square
*Metro Toronto, Northtown
Metro Toronto, Pape & Danforth
*Metro Toronto, West Side
*Metro Toronto, Yorkdale Centre
*Mississauga, Sheridan Mall
*Newmarket, Newmarket Plaza
Oakville
*Oakville, Hopedale Centre
*Oshawa, Oshawa Centre
*Pickering, Sheridan Mall
*St. Catharines, Niagara Pen.
*Sarnia, Lambton Mall
*Sault Ste. Marie, Market Mall
Timmins
Trenton
*Windsor, Devonshire Mall

Quebec

*Montreal, Le Cavalier, La Salle

Grafton's

Brantford
*Burlington, Burlington Mall
Dundas
Galt
Hamilton
London
Owen Sound
Peterborough
*St. Catharines, Niagara Pen.
Woodstock

Talisman

*Brampton, Shoppers' World
*London, Argyle Mall
*London, Wellington Square

Ross

Lindsay
Welland

**Shopping Centre locations*

Leased Woolco Departments

British Columbia
*Burnaby, Lougheed Mall
*Vancouver, Capilano Mall
*Victoria, Saanich Centre

Alberta
*Calgary, McLeod Mall
*Calgary, Marlborough
*Calgary, Northland Village
*Calgary, Westbrook Plaza
*Edmonton, Capilano Mall
*Edmonton, Centennial Village
*Edmonton, Londonderry Mall
*Lethbridge, College Mall
*Red Deer, Parkland Mall

Saskatchewan
*Prince Albert, South Hill Mall
*Regina, Northgate Mall

Manitoba
*Brandon, Shoppers' Mall
*Winnipeg, Grant Park Centre
*Winnipeg, Crossroads Centre, Transcona

Ontario
*Brantford, Brantford Plaza
*Cornwall, Brookdale Mall
*Hamilton, Mt. Hamilton Centre
*Kingston, Frontenac Mall
*Kitchener, Fairview Park Centre
*London, Argyle Mall
*London, Oakridge Mall
*London, White Oaks Mall
*Metro Toronto, Agincourt Mall
*Metro Toronto, North Park
*Metro Toronto, Weston
*Ottawa, Lincoln Fields
*Owen Sound, Grey County Mall
*St. Catharines, Lincoln Mall
*Sarnia, Lambton Mall
Sault Ste. Marie
*Sudbury, Nickel Range Plaza
*Whitby, Whitby Mall
*Windsor, Gateway Plaza
*Windsor, Eastown Centre

Quebec
*Cap de la Madeleine, Les Galeries du Cap
*Drummondville, Les Galeries Drummond
*Giffard, Centre Ste. Anne
*Granby, Granby Plaza
Levis
*Montreal, Taschereau, Brossard
*Montreal, Kirkland Plaza
*Montreal, Le Cavalier, La Salle
*Montreal, Plaza Laval, Laval
*Montreal, d'Achats, Longueuil
*Montreal, Langelier, St. Leonard
*Sherbrooke, Rock Forest Centre
*Tracy, Tracy Plaza
*Trois Rivieres Centre
*Valleyfield Centre

New Brunswick
*Saint John, Loch Lomond Centre

Nova Scotia
*Halifax, Scotia Square Centre
*Sydney River, Cape Breton Plaza

Newfoundland
*St. John's, Avalon Mall

**Shopping Centre locations*

HIGHLIGHTS

	1973	1972	%
Sales			
Retail	$26,231,895	$21,728,131	20.7 +
Manufacturing	$ 2,529,273	$ 2,446,757	3.4 +
Earnings	$ 1,241,688	$ 952,088	30.4 +
Earnings per share	65.6¢	50.8¢	29.1 +
Shares Outstanding	1,891,899	1,872,834	

Divisions of the company

- *Men's and Boy's Leased Depts.*
- *Jack Fraser Stores*
- *Grafton Stores*
- *Talisman Men's Shops*
- *Toby Industries Limited*

HOME OFFICE: GRAFTON HOUSE
9 SUNLIGHT PARK ROAD
TORONTO, ONTARIO

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GRAFTON GROUP LIMITED

Established 1853

INTERIM REPORT

for the

SIX MONTH PERIOD ENDED JULY 31, 1973

(UNAUDITED)

GRAFTON GROUP LIMITED

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTH PERIOD ENDED JULY 31, 1973
(WITH COMPARATIVE FIGURES FOR 1972)

TO OUR SHAREHOLDERS:

Consolidated sales for the six months ending July 31, 1973 increased 19% from $24,175,000 to $28,760,000. By division, Licensed Woolco Departments increased 23.7%. Company Operated Stores increased 14.1%, and Manufacturing Division Sales increased 3.4%. Net earnings for the six month period increased 30.4% to $1,241,688 from $952,088.

In the second quarter, four Jack Fraser stores were opened in the following locations, Eastgate Square, Stoney Creek; Tecumseh Mall, Windsor; Scarborough Town Centre, Toronto and Thunder Bay Mall, Thunder Bay. Licensed Woolco Departments were opened in Eastgate Square, Stoney Creek and Le Bazar Shopping Centre, St. Laurent, Quebec. In the last half of the year it is anticipated four new Jack Fraser stores and eight Licensed Woolco Departments will be opened.

The company is presently experiencing considerable instability and uncertainty in the supply of merchandise, which, according to our suppliers, is due to a shortage of raw materials affecting both delivery and price. Inventories consequently are being maintained at higher than preferred levels at this time.

In the last half of the year, traditionally our most productive period, we look forward to successful sales and earnings.

Toronto, August 9th, 1973.
G. R. Chater, President

CONSOLIDATED STATEMENT OF EARNINGS

	1973	1972	% Change
Sales			
Retail Division	$26,231,895	$21,728,131	20.7 +
Manufacturing Division	2,529,273	2,446,757	3.4 +
	28,761,168	24,174,888	19.0 +
Earnings from operations before taking into account the undernoted items	2,770,574	2,103,465	31.7 +
Interest and bank charges (net)	84,005	54,776	53.4 +
Depreciation	178,732	140,216	27.5 +
	262,737	194,992	34.7 +
Earnings before income taxes and minority interests	2,507,837	1,908,473	31.4 +
Income taxes	1,247,000	934,900	33.4 +
Earnings before minority interests in preference shares of a subsidiary	1,260,837	973,573	29.5 +
Minority interests	19,149	21,485	10.9 –
Net earnings for period	$ 1,241,688	$ 952,088	30.4 +
Earnings per common share (1973, 1,891,899 shares – 1972, 1,872,834 shares)	65.6¢	50.8¢	29.1 +

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	1973	1972
Source of Funds		
Operations		
Net earnings for period	$ 1,241,688	$ 952,088
Add depreciation	178,732	140,216
	1,420,420	1,092,304
Proceeds from sale of common shares under employee stock option plan	169,172	4,990
	1,589,592	1,097,294
Application of Funds		
Additions to fixed assets	607,740	445,445
Decrease in minority preference share interests less gain on purchase for cancellation of preference shares (1973–$415, 1972–$6,591)	29,585	71,516
Dividends on common shares	376,255	280,904
	1,013,580	797,865
Increase in working capital	576,012	299,429
Working capital at beginning of period	7,306,583	5,713,018
Working capital at end of period	$ 7,882,595	$ 6,012,447